

Message Text

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PAGE 01 MILAN 02177 051657Z

64

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SUBJECT: MONTEDISON SHAREHOLDERS REPORT - FIRST EIGHT MONTHS OF 1976

1. GIANT MONTEDISON GROUP, ITALY'S LARGEST CHEMICAL CONGLOMERATE, RELEASED SHAREHOLDERS REPORT IN MILAN ON SEPTEMBER 30. REPORT SHOWED SALES DURING FIRST EIGHT MONTHS OF 1976 OF 2, 953 BILLION LIRE (ABOUT \$3.5 BILLION), THIRTY-FOUR PERCENT ABOVE CORRESPONDING PERIOD OF 1975. RISE REPRESENTS NOT ONLY EFFECTS OF INFLATION BUT ALSO REAL GROWTH IN SALES VOLUME.

2. ALTHOUGH MONTEDISON WELCOMED SUBSTANTIALLY LARGER VOLUME AS BADLY NEEDED, COMPANY WAS QUICK TO ADD THAT INCREASE WAS NOT NEARLY ENOUGH TO MOVE GROUP INTO BETTER TIMES. COST INCREASES EFFECTIVELY COUNTERBALANCED GREATER REVENUES. SPECIFICALLY, GROUP WAS FORCED TO PAY MORE FOR IMPORTED PRIMARY MATERIALS, WAGES, AND INTEREST. IN ADDITION, REGULATED PRICES IN CERTAIN SECTORS (FERTILIZERS, PHARMACEUTICALS, AND PETROLEUM PRODUCTS) WERE IN NO WAY ADEQUATE TO COVER HIGHER PRODUCTION COSTS.

UNCLASSIFIED

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PAGE 02 MILAN 02177 051657Z

3. BOOM IN PLASTIC MATERIALS SECTOR LED GROUP'S RECOVERY

WITH SALES INCREASE OF 68.9 PERCENT. FINANCIAL REPORT MAINTAINED THAT INCREASE WAS RESULT OF BOTH HIGHER PRICES AND GREATER SALES VOLUME. STIMULATING LARGER PRODUCTION OF PLASTIC MATERIALS WAS INCREASED EXPORT VOLUME. HEAVY EXPORT DEMAND WAS RESPONSIBLE FOR IMPROVED ACTIVITY IN OTHER SECTORS AS WELL.

4. IN ARTICLE COMMENTING ON MONTEDISON REPORT, MILAN DAILY CORRIERE DELLA SERA SPECULATED THAT 15 PERCENT INCREASE IN PRICE OF FERTILIZERS AND 20 PERCENT IN PRICE OF PHARMACEUTICALS AUTHORIZED BY COUNCIL OF MINISTERS LAST WEEK SHOULD HELP GROUP. NEWSPAPER ESTIMATED PRICE INCREASE WOULD BRING IN 80 BILLION LIRE (ABOUT \$95 MILLION) MORE NEXT YEAR THAN THIS, GIVEN CONSTANT SALES VOLUME. ADDING ANOTHER 20 BILLION (ABOUT \$23 MILLION) IN OTHER FORECASTED SAVINGS, GROUP MAY HAVE ABOUT 100 BILLION LIRE (\$118 MILLION) MORE REVENUE DURING COMING YEAR. NEVERTHELESS, CONCLUDES ARTICLE, IT STILL REMAINS TO BE SEEN WHETHER 100 BILLION WILL BE SUFFICIENT TO COMPENSATE FOR PROBLEMS DISCUSSED IN COMPANY'S REPORT.FINA

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